

Vermont Advisory Sub-Committee on Market Structure, Licensing, Taxes, and Fees: Votes on Subcommittee Recommendations

Thursday, September 30, 2021
1:00pm ET

VS STRATEGIES

Agenda

- 1:00pm ET Call to order
- 1:03pm ET Approval of minutes
- 1:05pm ET Revised budget figure
- 1:10pm ET Presentation of revised fee recommendations
- 1:20pm ET Public comment
- 1:30pm ET Subcommittee votes
- 1:55pm ET Adjournment of Market Structure subcommittee

Updated budget figure and revised fee recommendations

Budget update

- Previously we were aiming to hit between \$1.4m and \$1.8m in annual fee revenue by FY25 in Dynamic 2 in order to meet the statutory requirement of covering costs
- The CCB has revised their budget projections to account for additional needs, leading to a higher projected budget, meaning we needed to adjust our fees upward
- The new annual fee revenue target for FY25 is over \$2.5m
- As a result, almost all of the fees are higher than previously proposed, but we tried to raise them consistent with the ratios we discussed on Monday's call

Reminders:

- These proposed fees do not account for the fee reductions that are being discussed in the Social Equity subcommittee. Any recommendations from that subcommittee will need to be merged with the recommendations from this subcommittee before the Board recommends a fee schedule to the legislature
- Recommendation Proposal A is estimated to meet the statutory requirement of covering operating costs. Recommendation Proposal B does not meet that requirement. Proposal B is designed to create fees that will lower barriers of entry, particularly for those looking to operate smaller businesses.

Application Fees

Type	Proposal A	Proposal B
Intent to apply fee	\$500	\$500
Application fee	\$1,000	\$1,000

If an applicant submits an intent to apply application, the application fee will be reduced by the amount of the intent to apply fee.

Cultivation License Fees

Tiers	Proposal A	Proposal B
Tier 1 Outdoor < 1,000 sq ft	\$1,000	\$750
Tier 2 Outdoor < 5,000 sq ft	\$5,000	\$3,750
Tier 3 Outdoor < 10,000 sq ft	\$10,000	\$7,500
Tier 4 Outdoor < 43,560 sq ft**	\$40,000	\$20,000
Tier 1 Indoor*** < 1,000 sq ft	\$4,000	\$1,500
Tier 2 Indoor < 5,000 sq ft	\$20,000	\$7,500
Tier 3 Indoor < 10,000 sq ft	\$40,000	\$15,000
Tier 4 Indoor < 25,000 sq ft	\$100,000	\$37,500
Tier 5 Indoor < 50,000 sq ft*	\$200,000	\$50,000

* Delayed initially subject to CCB authorization

** Delayed initially subject to CCB authorization and potentially subject to additional production controls

*** Outdoor vs. indoor is differentiated by whether flowering plants are getting a light cycle that is different from the normal rise and fall of the sun

Retail License Fees

Tiers	Proposal A	Proposal B
Retail – Storefront	\$10,000	\$5,000
Retail – Seeds and Clones	\$4,000	\$1,000
Retail – Limited*	\$1,000	\$1,000
Retail – Farmer*	\$500	\$500

* Conditional on regulations

Retail – Storefront will include the authority to sell seeds and clones

Manufacturing License Fees

Tier	Proposal A	Proposal B
Manufacturer – Tier 1	\$15,000	\$7,500
Manufacturer – Tier 2	\$5,000	\$1,500

Manufacturer – Tier 1 will be allowed to use solvent-based extraction

Other Fees

Type	Proposal A	Proposal B
Integrated	\$125,000	\$50,000
Wholesaler	\$4,000	\$1,000
Testing laboratory*	\$1,500	\$1,500
Employee registration fee**	\$100	\$100
Local processing fee***	\$100 max	\$100 max

* Testing laboratory fees will be integrated with the hemp program fees so that a facility that is testing both will not have to pay a double fee

** biannual

*** Municipalities can set this rate, but the Subcommittee voted at a previous meeting to cap at \$100

Testing facilities should not be prohibited from testing products from home cultivators

Projected Fee Revenue for FY25

Type	Proposal A	Proposal B
Dynamic 1	\$5,850,957	\$2,563,457
Dynamic 2*	\$3,104,557	\$1,355,057
Dynamic 3	\$1,604,264	\$695,014

* In our estimation, this is the most likely Dynamic, although if the high fees of Proposal A are adopted the estimated license totals may move towards Dynamic 3

Public Comment

Subcommittee Votes

Subcommittee Votes on Recommendations

- Does the subcommittee approve of making two sets of recommendations to the Board, one to cover costs as required by the legislature and one with fees to balance covering costs with creating a market with lower barriers to entry for prospective businesses?
- Vote on recommending the license types and license fees in Proposal A in order to cover operational costs
- Vote on recommending the license types and license fees in Proposal B as an alternative that balances covering costs with lowering barriers to entry for prospective businesses

Other votes

- Vote on recommending that the Board explore Retail – Limited and Retail – Farmer licenses if concerns over safety and market impact can be addressed
- Vote on recommending that the Board prioritize Retail – Seeds and Clones licenses so that outdoor cultivators and home cultivators have access to legal sources quickly